PHARMACARE NEWSLETTER

May 27, 2004
04-005

PharmaCare Audit

This special edition of our newsletter is in response to the February 2004 meeting between PharmaCare and the BC Pharmacy Association, during which the association requested that more information concerning audits be made available to BC pharmacists.

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Overview of the Audit Process

To maintain public confidence, the Ministry of Health Services must ensure the proper expenditure of public funds. To do this, the ministry must provide assurance that PharmaCare claims are paid in accordance with the terms and conditions of the Pharmacy Participation Agreement and with PharmaCare policies and procedures. PharmaCare Audit fulfils this function by performing onsite pharmacy audits, desk audits and by administering the patient confirmation letter program.

How are pharmacies selected for audit?

As detailed in the *PharmaCare/PharmaNet: Policies and Procedures Manual, Section 6.7.3*, pharmacy audit selection is made by analysis of data and information, by geographic random methods or as a result of information provided to PharmaCare by third parties.

Regardless of the method of selection, the PharmaCare Audit Review Committee (PARC) of the Ministry of Health Services must approve all audits.

The Analysis of Data and Information Method utilizes annual and monthly reports from PharmaCare payment records. An individual provincial pharmacy profile is created that ranks the pharmacy relative to the provincial norm for the parameter being reviewed.

Examples of parameters reviewed are:

- ingredient costs
- dispensing fees
- quantities dispensed
- manipulation of information to affect adjudication.

Other information received concerning a pharmacy's claims practice is carefully reviewed with respect to data analysis reports.

What is the process for an onsite audit?

A few days before the arrival of the audit team, the PharmaCare Audit Manager notifies the pharmacy manager (by telephone) of the pending audit. The phone call takes about 15 minutes and provides the pharmacy with information on:

- Onsite audit dates.
- The time period being audited.
- Audit selection.
- Audit team, including name of lead auditor.
- Audit Manager's name and phone number.
- General interview and questionnaire that will be administered during the onsite audit.
- The formal notification letter (which is subsequently couriered to the pharmacy manager).
- Draft Audit Report (refer to *What happens after a desk or onsite audit?* on page 3 for details).
- Confidentiality Undertakings (signed by the auditors upon arrival).
- The pharmacy records required for the audit.
- Space requirements for auditors.

What is the difference between a desk audit and an onsite audit?

In a Desk Audit, PharmaCare sends a letter to the pharmacy. The letter contains the data analysis that has resulted in a recovery or it contains a request for photocopied documentation to support claims, or both. A desk audit is an iterative process in which the auditor and pharmacy manager exchange information via fax, letter and telephone. The pharmacy has the opportunity to respond to the letter, within 30 days, with information and/or documentation.

In an Onsite Audit, an audit team (usually consisting of 2 or 3 auditors) visits the pharmacy to review the pharmacy's documentation in support of the paid PharmaCare claims. While audits are tailored to meet specific situations, two common objectives include verification of authorization for the claim(s) and a review of actual acquisition cost. The time period being audited may vary, but is usually the previous calendar year. Consequently, the pharmacy's prescription files and invoices for the audit time period are required.

Copies are taken of all necessary invoices for the time period being audited and of any prescription documentation requiring further review. To facilitate this process, auditors may use laptop computers and scanners.

What happens after a desk or onsite audit?

The audit team compiles the data gathered during the onsite audit and issues a Draft Audit Report to the pharmacy. In some instances, additional document retrieval and verification letters may delay the release of this report.

Prior to its release, the Draft Audit Report is approved by the:

- PharmaCare Audit Manager;
- Director, PharmaCare Decision Support; and
- Director, PharmaCare Policy Development and Management.

As specified in the *PharmaCare/PharmaNet Policies and Procedures Manual, Section 6.7.3*, after receipt of the Draft Audit Report, the pharmacy has 30 days in which to forward any further documentation or to provide other feedback.

Based on the pharmacy's response to the Draft Audit Report, a Final Audit Report is prepared and approved by the PharmaCare Audit Review Committee. The result of the audit may also be provided to the College of Pharmacists of British Columbia or other regulatory bodies, as applicable and when appropriate.

What is the process for audit recoveries?

An audit recovery does not necessarily imply wrongdoing. Recoveries may be necessitated by claim errors resulting from poor documentation or filing procedures.

If an audit recovery amount is settled, the pharmacy may pay the amount by:

- sending a cheque (payable to the Minister of Finance) to PharmaCare Audit at the Ministry of Health Services, or
- writing to PharmaCare Audit to request that an electronic deduction be made.

Update on the 2004 Desk Audits

PharmaCare Audit is conducting desk audits for quantity errors regarding five drugs: Didrocal®, Remicade®, Enbrel®, Rebetron® and Desmopressin®. Because the data was analyzed by drug rather than by pharmacy, the logistics involved in batching the audits became difficult to coordinate.

As a result, pharmacies may receive separate letters from PharmaCare Audit for each of these drugs. The letters regarding Didrocal and Remicade have already been mailed; letters regarding Enbrel, Rebetron and Desmopressin will be mailed over the next few months.

Please note that a desk audit regarding actual acquisition cost for Remicade is also in progress. The first of these letters were mailed in late March 2004.

While individual recovery amounts resulting from these audits may be relatively small, the total estimated value of recoveries regarding quantity errors is significant. The quantity audits for Didrocal and Remicade processed between January and May 2004 have resulted in recoveries amounting to $259,000 and several letters are still awaiting a response.

We appreciate the cooperative and prompt responses of pharmacy managers to the desk audit letters. This has greatly facilitated quick resolution of these files.

Review of PharmaCare Audit Outcomes - 2000 through 2003

Following is a summary of the outcomes of audits conducted in 2000 through 2003. The examples demonstrate common errors in claims submission and highlight the importance of accurate record keeping. To ensure accurate claims, it is critical that pharmacists understand relevant PharmaCare policies and procedures. Please direct any questions to the appropriate PharmaCare area before an audit recovery becomes necessary.

Missing Documentation

As stated in the Pharmacy Participation Agreement, provision of supporting documentation is the responsibility of the pharmacy. Onsite audits of pharmacies revealed many situations in which supporting documentation for PharmaCare paid claims was missing from a pharmacy's prescription files. The draft reports for these audits showed recoveries of $369,530, $236,400, $137,920, $112,500 and $59,830.

Under the audit process, pharmacies are given the opportunity to respond to the Draft Audit Report by locating missing documentation or obtaining authorization verification from the patient's doctor.

To avoid the substantial time and effort required to provide documentation following an audit, we recommend that all pharmacies read and follow the guidelines provided in the *PharmaCare /PharmaNet Policies and Procedures Manual, Section 6.6, Records Retention and Documentation.*

Maximum Pricing Policy

PharmaCare pricing policies require that the ingredient cost claimed must equal the **actual acquisition cost** of the drug (up to a maximum price of 7% above the manufacturer price). Pharmacy audits in 2003 resulted in recoveries $27,700, $6,670 and $2,020 for ingredient cost overpayments. Please refer to the *PharmaCare/PharmaNet Policies and Procedures Manual, Section 10.5, Pricing Policies,* for more information on correct cost reporting.

Clozaril® Desk Audit

The Clozaril desk audit in 2001 (in which pharmacies were asked by letter to provide supporting documentation for claims paid by PharmaCare) resulted in a total recovery of $56,400 from 60 pharmacies for claimed ingredient costs that exceeded the actual acquisition cost. Please refer to the *PharmaCare/PharmaNet Policies and Procedures Manual, Section 10.5, Pricing Policies,* for information on correct cost reporting.

Use of a PHN for Facility Contingency Supplies

Contingency supplies for facilities are not PharmaCare benefits. Creating a PHN for this purpose is inappropriate and all such claims are subject to recovery. Two recent reviews resulted in the recovery of $860 and $350 for contingency drug supply claims. Please refer to the *PharmaCare/PharmaNet Policies and Procedures Manual, Section 2.4, Personal Health Numbers (PHNs)*, for more information on the appropriate use of PHNs.

Splitting of Methadone Carries

Methadone carries must be submitted as a single claim for a multiple days' supply. PharmaCare Audit recovered $12,100 for cases in which methadone carries had been split into daily claims. A follow-up review of methadone claims from the pharmacy involved revealed correct claims for carries. Please refer to the *PharmaCare/PharmaNet Policies and Procedures Manual, Section 6.3.1, Methadone Maintenance Program*, for more information on submitting methadone claims.

Splitting of Methadone Same Day Claims

Misinterpretation of the PharmaCare methadone policy, implemented in May 2001, resulted in a number of erroneous claims. A recovery of $2,120 was made from a pharmacy that submitted two claims (one for witnessing ingestion and one for dispensing the carry), which resulted in the payment of an extra dispensing fee. In these situations, only one claim should be submitted. Please refer to the *PharmaCare/PharmaNet Policies and Procedures Manual, Section 6.3.1, Methadone Maintenance Program*, for more information on submitting methadone claims.

Incorrect Use of PIN

Following an on-site audit, $950,000 was recovered from a pharmacy that used the incorrect PIN for methadone for maintenance. The pharmacy now uses the correct PIN for methadone claims.

Duplicate Same Day Claims

As a result of a review of same day claims, a pharmacy repaid $16,740 for duplicate claims. Multiple claims were submitted on the same day because the pharmacy wanted to produce labels for weekly compliance packages. However, the packaged medication was dispensed to the client monthly. As per the Pharmacy Participation Agreement, only one dispensing fee is paid for the one provision of packaged medication. The pharmacy now submits claims based on when the benefit is provided to the client.

Needles and Syringes Desk Audit

A desk audit, requesting supporting documentation for claims paid by PharmaCare from 250 British Columbia pharmacies, resulted in the recovery of $64,500 from pharmacies that used the PIN that is designated "for insulin use only" to dispense needles and syringes to non-diabetic patients. Please refer to the *PharmaCare/PharmaNet Policies and Procedures Manual, Section 10.6, Diabetic Supplies*, for more information on the appropriate use of these PINs.

Pharmacy Participation Agreement - Termination Guidelines

To provide guidance to decision makers in the Ministry of Health Services, PharmaCare recently clarified some of the circumstances that may require PharmaCare to consider terminating a Participation Agreement. To inform pharmacists of these circumstances, the following guidelines were published in PharmaCare Newsletter 03-010 published on December 3, 2003:

According to the terms of the Participation Agreement, either party may terminate the agreement on 30 days notice. The terms of the agreement do not require cause for termination, and nothing in these guidelines restricts the ability of either party to terminate on 30 days notice.

PharmaCare has a duty to the public to deliver a responsible and accountable program. If circumstances arise which could compromise the integrity of the PharmaCare program, PharmaCare may exercise its right to terminate an agreement with a pharmacy. The following guidelines outline some of the circumstances that will result in PharmaCare considering termination.

PharmaCare may terminate the agreement if a pharmacy fails to comply or refuses to comply with the terms of the Participation Agreement or PharmaCare policies.

Some circumstances that will attract consideration for termination are as follows:

- A charge of a criminal offence relating to pharmaceutical practice.
- Evidence of claims submission where benefits were not provided as claimed, resulting in PharmaCare overpayments.
- Evidence of erroneous claims submissions.
- The pharmacy fails to cooperate with, or respond to, PharmaCare Audit.
- Failure to maintain and provide adequate records as required by the Participation Agreement.
- Disciplinary action taken by the College of Pharmacists of British Columbia against a member.

Note: When a Pharmacy Participation Agreement is terminated, the ministry may publish the circumstances and the name of a pharmacy.

For further information regarding this issue, please contact: Janet Carter, Director, Policy Development and Management at 250-952-2950.